

APPENDIX Q

USE OF CONTRACTING IN SOLVING MOBILIZATION MANPOWER PROBLEMS

A. PURPOSE

This appendix examines the potential of contracting as a means of meeting mobilization manpower demands at DoD installations. It points to some advantages and disadvantages of contractors versus direct hires in a mobilization environment, then covers the current peacetime installation contracting situation, which sets the stage for mobilization performance, and finally examines alternative methods of preparing in peacetime for additional contract coverage on mobilization.

B. MOBILIZATION ENVIRONMENT

1. Installation Situation

Each DoD installation will face some situations unique to it alone, because of its mission, location and manning and because of external events. Some installations will support very rapid deployments followed by a status now unknown. Others will experience a steady buildup of activity that will then level off and remain high. Some will be required to open satellite facilities, perhaps operating them with current employees. Some will increase greatly in strength, others may transfer out many of their current employees.

2. Anticipation of Probable Changes

In planning for mobilization, each installation needs to consider the likely changes that it can anticipate in its locality, its region, and country-wide. There may be increased local competition from other DoD installations or from defense industry for some skills, but it is almost certain that there will be such increased competition nationally for selected skills. The pace of activity will most likely increase at least in the early days and weeks of a mobilization. There should be a decreased emphasis on dollar costs and an increased attention to the management of other constraining resources, including manpower. Military manpower will become scarce outside of deployable units.

3. Contracting as a Valuable Mobilization Tool

In this environment additional contracting may offer the best way for many installations to meet new and increased manpower requirements. Figure Q-1 compares Federal civilian and contractor employees under mobilization conditions. Figure Q-2 then looks at examples of installation mobilization situations which favor either in-house or contract sources of manpower.

A MOBILIZATION COMPARISON OF FEDERAL AND
CONTRACT EMPLOYEES

	<u>Federal Civilian</u>	<u>Contract Employee</u>
Experience in government operations	Probably medium or high.	Probably low.
Mobility	Moderately high, can be relocated to other locations involuntarily, and is probably more accustomed to transfers.	Generally lower, assuming that the contractor and his employees are from the local area.
Pay for the position after M-Day, assuming they would be comparable on M-Day	Likely to remain constant for several months.	Likely to rise quickly to overcome any competition.
Benefits	Probably better security, stability of employment and retirement.	Some short term benefits may be superior.
Effects of strong local competition for the skill	Can be severe if the wage differential for comparable skills becomes too wide.	Not automatically a major factor.
Effects of strong regional or national competition for the skill	Can cause transfer within the DoD or draw government employees into defense industry elsewhere.	Less impact.

Figure Q-1

C. BACKGROUND FOR MOBILIZATION - PEACETIME CONTRACTING

1. The Basic Directive - OMB Circular No. A-76

a. The Office of Management and Budget in the Executive Office of the President publishes its Circular No. A-76 to establish Federal policy regarding the operation of commercial activities (CAs) by Federal agencies. The Circular concentrates on the choice between commercial and in-house sources to conduct commercial activities (those which could be accomplished by commercial sources). A supplement to the Circular implements the policy by establishing procedures for determining which source shall be used in each case. The supplement is an integral part of the Circular, and compliance with all parts of the supplement is mandatory. The supplement is divided into four parts, as follows:

- Part I Policy Implementation - the general implementation instructions for the Circular. Included in this part are detailed flow charts and narrative descriptions, inventory and review requirements, and annual reporting requirements.
- Part II Writing and Administering Performance Work Statements - sets forth the steps needed to develop, write, and administer a performance work statement and a quality assurance plan for both in-house or contract operation of a commercial activity.
- Part III Management Study Guide - sets forth the recommended procedures for conducting the management review of the in-house organization.
- Part IV Cost Comparison Handbook - provides detailed instructions for developing a comprehensive and valid comparison of the estimated cost to the Government of acquiring a product or service by contract and of providing it with in-house personnel and resources.

b. Circular No. A-76 states that it is the policy of the United States Government to achieve economy, enhance productivity, and rely primarily on the commercial sector to provide commercial products and services while retaining governmental functions in-house. Governmental functions are those so intimately related to the public interest as to mandate performance by government employees. They normally fall into two categories:

- (1) The act of governing, such as criminal investigations, direction of national defense, management and direction of the Armed Forces, activities performed exclusively by military personnel who are subject to deployment, conduct of foreign relations, direction of Federal employees, direction of intelligence and counter-intelligence, etc.
- (2) Monetary transactions and entitlements

MOBILIZATION CONDITIONS CAUSING INSTALLATION ADVANTAGES
FOR CONTRACT OR IN-HOUSE PERFORMANCE

<u>General Situation or Consideration</u>	<u>Specifics Providing Advantage to:</u>	
	<u>IN-HOUSE</u>	<u>CONTRACT</u>
Opening of other facilities by the installation	In remote, sparcely settled areas immediately.	Near the installation or in an area with high contract potential, some weeks or months available after M-Day.
Major expansion of a function	The skills required are not available in the local labor market but are, or can be, available through in-house actions; there is little chance of local contractors having the management required in the expanded function, thus management by DoD employees is required and the function cannot be contracted.	The function is normally contracted in peacetime or there are several competent contractors in the area, and there is available local labor and management. There is a question of the installation's ability to provide labor and/or management with existing personnel or new hires.
Possibility of government transfer to other installations of in-house personnel with the needed skills	Not likely.	Very likely.
Value of government experience to the position	Important.	Not important.
Competition from defense industry for the skill	Low competition, locally and elsewhere, means current personnel likely to be retained and new hires possible.	High competition may drain off government workers to higher pay and inhibit new hires. Contractor more flexible.

Figure Q-2

c. The Circular and its supplement shall not apply under a number of circumstances, including:

(1) To DoD in times of a declared war or military mobilization.

(2) Solely to avoid personnel ceilings or salary limitations.

(3) Conduct of research and development.

(4) To authorize contracts that establish an employer-employee relationship between the Government and contractor employees.

Note that, although the DoD need not follow this Circular during a military mobilization, the implementation of the Circular in peacetime can affect the capability of the DoD and its installations to accomplish mobilization missions.

d. Government performance of a commercial activity is authorized if:

(1) No satisfactory commercial source is available, or use of such a source would cause unacceptable delay or disruption of an essential program.

(2) The Secretary of Defense or his designee determines that Government performance is required for national defense reasons.

(3) It is in the best interests of patient care in Government medical facilities.

(4) The Government is or can operate the activity at an estimated lower cost.

2. Office of the Secretary of Defense (OSD) Implementation

a. OSD implementation of Circular A-76 is by DoD Directive 4100.15 and DoD Instruction 4100.33. Figure Q-3 lists the number and title of the OMB and DoD basic directives.

STATUS OF BASIC DIRECTIVES ON COMMERCIAL ACTIVITIES

Office of
Management
and Budget

Circular No. A-76, Performance of Commercial Activities,
and
Supplement, OMB Circular No. A-76, (procedures).

Department
of Defense

DoD Directive 4100.15, Commercial Activities Program,

DoD Instruction 4100.33, Commercial Activities Program
Procedures

Figure Q-3

b. The DoDD and DoDI apply to DoD components (OSD, Military Departments and Defense Agencies) in the United States, its territories and possessions, the District of Columbia and the Commonwealth of Puerto Rico. Their provisions are not mandatory for commercial activities staffed with civilian personnel paid by non-appropriated funds, such as military exchanges. However, their provisions are mandatory for commercial activities when they are partially staffed with civilian personnel paid by appropriated funds, such as libraries, open messes, and other morale, welfare and recreation activities. The DoDD and DoDI do not:

- (1) Apply to governmental functions;
- (2) Apply when contrary to law, Executive Orders, or any treaty or international agreement;
- (3) Apply in times of a declared war or military mobilization;
- (4) Provide authority to enter into contracts;
- (5) Apply to the conduct of research and development except for severable in-house commercial activities in support of research and development;
- (6) Justify conversion to contract solely to avoid personnel ceilings or salary limitations;
- (7) Authorize contracts that establish an **employer-employee** relationship between the DoD and contractor employees as described in FAR 37.107.

c. The policy stated in DoDD 4100.15 includes:

- (1) Ensure DoD Mission Accomplishment. Implementation shall consider the overall mission of the DoD and the defense objective of maintaining readiness and sustainability to ensure a capability to mobilize the defense force and support structure.
- (2) Retain Government Functions In-House.
- (3) Rely on the Commercial Sector.
- (4) Achieve Economy and Enhance Productivity.

d. The DoD Directive assigns responsibilities, including:

- (1) Assistant Secretary of Defense (Acquisition and Logistics) or designee:
 - (a) Reviews DoD component decisions to perform DoD CAS in-house for national defense reasons other than cost, new requirements, or expansions.

- (b) Establishes criteria for determining whether a **CA** is required to be operated for reasons of national defense by either DoD military or civilian employees.

(2) Heads of DoD Components:

Approve or disapprove in-house performance of DoD CAS, new requirements, and expansions for reasons of national defense, lack of a satisfactory commercial source, or in the best interest of direct patient care.

e. The DoD Instruction (**DoDI** 4100.33) specifies in **more** detail the conditions that will permit the continued in-house operation of a commercial activity. These conditions include:

- (1) For national defense reasons, considering the wartime and peacetime duties of the specific positions involved rather than in terms of broad functions.

- (a) A commercial activity staffed with military personnel, when the activity is essential for training or experience in required military skills, provides a rotation base, or is necessary to provide career progression to needed military skill levels .
- (b) A Core Logistics Activity, i.e., one necessary to maintain a logistics capability (including personnel, equipment and facilities) to ensure a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations and other emergency requirements.
- (c) The DoD components may propose other criteria for exempting activities for national defense reasons.

(2) No satisfactory commercial source available

- (a) There is no satisfactory commercial source capable of providing the product or service.
- (b) Use of a commercial source would cause an unacceptable delay or disruption of an essential program.

(3) In best interests of patient care.

3. Implementation by Military Services

a. Each of the Military Services has issued directives implementing OMB Circular No. A-76, DoD Directive 4100.15 and DoD Instruction 4100.33. Figure Q-4 lists those directives.

b. AR 5-20 provides several clarifying tables, such as Table 1-1, Approval Authority for In-House Performance, and Table 4-1, "Types of Contracts", that assist the reader in absorbing and understanding the material.

c. AFR 26-1 includes examples of many forms useful or required in the cost and analysis process. From the standpoint of a manpower or personnel planner, Attachments 2 through 5 are particularly useful as they concern the manpower mix (military, civilian, or contract) decision process and several of the elements important to that process such as the coding of military essential positions, the Unsatisfactory Rotation Index Program and the Critical Military Skills Program.

MILITARY SERVICE DIRECTIVES ON COMMERCIAL ACTIVITIES

U.S. Army	Army Regulation 5-20, "Commercial Activities Program", dated 1 Feb 85
U.S. Navy	OPNAV Instruction 4860.7B, "Navy Commercial Activities (CA) Program", 18 March 1986
U.S. Air Force	AF Regulation 26-1, "Manpower Policies and Procedures, Comparative Costs Analysis," Volume I, dated 2 Oct 81
US Marine Corps	Marine Corps Order 4860.3C, "Operation of Commercial Activities", dated 27 Sep 82

Figure Q-4

D. PREPARATION FOR ADDITIONAL CONTRACTING ON MOBILIZATION

1. Factors Determining the Feasibility of Alternatives

a. The peacetime planning situation will determine the best types of preparation for mobilization contracting. Perhaps the most important element is how well the need can be defined. Another is the level of peacetime contracting in the function concerned compared to the level needed during mobilization. Still another is the contracting environment around the installation.

b. The range of possible actions is wide. If there is no peacetime contracting in the function concerned, then the possible preparations might begin with an inventory of possible contractors and their capabilities. In-house readiness for mobilization contracting can improve greatly with additional trained contracting officers backed with adequate references, forms and other office materials. Probably the ultimate practical level of readiness would involve a 24-hour alert contracting team and predrafted contracts.

c. If there is peacetime contracting in the function of interest, then additional preparations are feasible. One is to require continued, and if necessary, expanded operations during mobilization or other emergencies as a part of the contract. The installation can also require, as part of the contract, specific peacetime activities in preparation, such as the annual submission of a contractor's plan to meet the activities desired of him in a mobilization or other emergency, participation in exercises and having any security clearances required by these preparatory activities. If the range of possible mobilization requirements can be defined, it is possible to have several options covering that range in the contract, any one of which the installation can activate in a mobilization.

d. There is a possible intermediate situation between those described above, namely where a peacetime contractor in one function may be asked to expand his activities into other functions at mobilization.

e. Figure Q-5 shows the relationship among the various factors.

2. Service actions.

a. AR 5-20 refers in paragraph 4-13, Mobilization Requirements, to the types of actions shown in column (4) of Figure Q-5. It points out that the solicitation must define the peacetime requirements sufficiently to permit proper pricing and funding. Column (6) implies an even higher level of requirements definition, specifically the mobilization requirements. Contracting officials indicate that the number of available contracting officers will limit the capability to expand contracting quickly in contingencies .

b. The U.S. Air Force has gone farther than the other Military Departments in the institutionalization of contingency contracting readiness through its AFR 70-7, Contingency Contracting Support Program, issued in July, 1982. Each Air Force major command issues a supplement to the regulation and it applies to all Air Force installations. Its purpose is to provide a 24-hour capability for responsive contracting action during emergencies and deployments and to permit continued contracting action even if computer support is lost. The **AFR** requires the development and maintenance of Contingency Contracting Deployment Kits for Contingency Contracting Officers during emergencies, tailored to the deployment location and situation.

c. Figure Q-6 lists selected other documents of particular significance to peacetime preparation for mobilization contracting.

POSSIBLE PRACETIME PREPARATIONS FOR MOBILIZATION CONTRACTING

Level of Definition of Mobiliz- ation Con- tracting Requirements	Possible Peacetime Preparations					
	No Peacetime Contract in the Function			Existing Peacetime Contract in the Function		
	(1) Contractor inventory and capabilities	(2) (1) & improved in-house contracting readiness	(3) (2) & draft contracts	(4) Contract clauses on mob planning,	(5) (4) & im- proved in- house con- tracting readiness	(6) (5) & contract options
Well defined within range of specific possibili- ties	X	X	X	X	X	X
Require- ment will exist but not well quantified	X	X	only partial prep .	X	X	possible with multiple options
Require- ment might develop but not certain or defined	X	will be limited by lack of information		X	will be limited by lack of informa- tion	

Figure Q-5

SELECTED REFERENCES RELATING TO PREPARATION
FOR MOBILIZATION CONTRACTING

1

DoD Directive 1130.2, "Management and Control of Engineering and Technical Services", dated January 26, 1983

DoD Directive 3025.XX, Continuation of Emergency-Essential DoD Contractor Services Overseas During Crisis Situations.

DoD Directive 4151.1, "Use of Contractor and DoD Resources for Maintenance of Materiel, dated 15 July 1982

DoD Directive 4151.16, "DoD Equipment Maintenance Program" dated 23 August 1984

AF Regulation 70-7, "Contingency Contracting Support Program", dated 2 July 1982

DA Pam 690-36, "A Civilian Personnel Office Guide to the Commercial Activities Program", dated 15 Oct 83

Figure Q-6

E. GENERAL FINDINGS

1. To ensure that mobilization needs are fully considered, mobilization manpower and personnel planners should participate in A-76 planning and discussions at the installation level.

2. Similarly, to ensure that peacetime **planning** for mobilization contracting is realistic, contracting officers should participate in any planning on that subject, including planning for training additional contingency contracting officers.

3. The degree of definition possible on the installation's mobilization contracting requirements will probably be the major determinant on the degree of detail which is possible in planning for mobilization contracting.

4. The need for additional contingency contracting officers will probably constrain the speed with which most installations can expand their contract operations at mobilization. Installation mobilization planners who see a major increase in contracting at mobilization may need to seek positions or personnel categories who could be trained in peacetime for this task as a secondary qualification and who could be available for contracting during emergencies.